

Senate Study Bill 3163 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON BOLKCOM)

A BILL FOR

1 An Act amending the sales tax imposed on certain machinery,
2 equipment, attachments, and replacement parts used in
3 construction.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 423.3, subsection 2, Code 2016, is
2 amended to read as follows:

3 2. The sales price of sales for resale of tangible personal
4 property or taxable services, or for resale of tangible
5 personal property in connection with the furnishing of taxable
6 services, except for sales, the following:

7 a. Sales, other than leases or rentals, which are sales
8 to nonqualified dealers of machinery, equipment, attachments,
9 and replacement parts specifically enumerated in subsection 37
10 and used in the manner described in subsection 37 or the. For
11 purposes of this paragraph, "nonqualified dealer" means any
12 dealer who is not a party to a dealership agreement, as those
13 terms are defined in section 322F.1.

14 b. The purchase of tangible personal property, the leasing
15 or rental of which is exempted from tax by subsection 49.

16 EXPLANATION

17 The inclusion of this explanation does not constitute agreement with
18 the explanation's substance by the members of the general assembly.

19 This bill relates to the sales tax imposed on certain
20 construction equipment.

21 CURRENT LAW. Under current law in Code section 423.3(37),
22 the lease or rental of machinery, equipment, attachments, and
23 replacement parts directly and primarily used in specified
24 construction services by an owner, contractor, subcontractor,
25 or builder is exempt from the sales tax (construction
26 equipment exemption). Also under current law, in Code section
27 423.3(2), the purchase of tangible personal property for
28 subsequent resale, lease, or rental is exempt from the sales
29 tax (sale-for-resale exemption). However, the purchase of
30 construction equipment for a subsequent lease or rental that
31 will qualify for the construction equipment exemption does not
32 qualify for the sale-for-resale exemption.

33 BILL CHANGES. The bill amends the sale-for-resale exemption
34 to provide that the purchase of construction equipment
35 for a subsequent lease or rental that will qualify for the

1 construction equipment exemption will only fail to qualify for
2 the sale-for-resale exemption if the sale is to a nonqualified
3 dealer. The bill defines "nonqualified dealer" to mean any
4 dealer who is not a party to a dealership agreement, as those
5 terms are defined in Code section 322F.1. The definitions
6 of "dealer" and "dealership agreement" in that Code section
7 respectively include persons engaged in the retail sale of
8 equipment and agreements between a dealer and supplier which
9 grant the dealer the right to sell, distribute, or service the
10 supplier's equipment.

11 By operation of Code section 423.6, an item exempt from the
12 imposition of the sales tax is also exempt from the use tax
13 imposed in Code section 423.5.